Interim Management's Report for the three-month period ended June 30, 2009

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August 6, 2009

INTERIM MANAGEMENT'S REPORT
FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2009

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INTERIM MANAGEMENT'S REPORT
FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2009

I. INTRODUCTION

Notice Regarding Forward-Looking Statements

Certain statements included in this Interim Management's Report may constitute, within the meaning of applicable securities legislation, forward-looking statements relating to the Company's future growth trends, operating results and performance. Forward-looking statements concern analyses and other information based on forecasted future results and the estimate of amounts that cannot yet be determined. These may be observations concerning, among others, strategies, expectations, objectives, projections, estimates, predictions, planned activities or future actions. Forward-looking statements are recognized by the use of terms such as "forecast", "project" "could", "plan", "aim", "estimate" and other similar terms, possibly used in the future or conditional, notably in regard to certain assumptions. The purpose of the forward-looking statements included herein is to assist the reader in understanding the nature and the importance of the changes and trends, as well as the risks and uncertainties associated with the Company's operations and financial position, and may not be appropriate for other purposes.

The Company's management would like to point out that forward-looking statements involve a number of risks and uncertainties such that the Company's actual and future results could differ materially from the conclusions, assumptions or projections reflected in these forward-looking statements. Factors of uncertainty and risk that might result in such material differences include trends in the demand for the Company's products and services and cost of its raw materials, fluctuations in the value of various currencies, tightening of credit markets pressures exerted on prices by the competition and general changes in economic conditions. The Company cautions readers that the foregoing list of risk factors is not exhaustive. Although the Company believes these assumptions to be reasonable and appropriate based on the information in its possession, there can be no assurance as to the materialization of the results, performance or achievements as expressed in or underlying the forward-looking statements. In addition, unless otherwise indicated, the forward-looking statements included in this Interim Management's Report were set forth at the date hereof, and unless required to do so pursuant to applicable securities legislation, management assumes no obligation as to the updating or revision of the forward-looking statements as a result of new information, future events or other changes.

For further information regarding the various factors that might affect the Company's future results, the reader is referred to the Company's filings with Canadian securities regulatory authorities, including the "*Risk Management*" section of this Interim Management's Report and the "*Risk Management*" section of the Management's Report for the fiscal year ended March 31, 2009, available on the websites of SEDAR (www.sedar.com) and GLV Inc. (www.glv.com).

Description of Business

GLV Inc. is a leading global provider of technological solutions used in water treatment, recycling and purification as well as in pulp and paper production. GLV Inc. is present in some 30 countries and has approximately 1,600 employees.

- The **Water Treatment Group** (also known worldwide as "Eimco Water Technologies") specializes in the design and international marketing of solutions and high-performance, economical and eco-friendly processes for the treatment and recycling of municipal and industrial wastewater and water used in various industrial processes. It also offers water intake screening solutions for power stations, refineries and desalination plants. Given the range of its technological portfolio, the group is positioned to provide comprehensive solutions for the filtration, clarification, treatment and purification of water that will either be returned into the environment, or be re-used in various industrial processes or for domestic purposes.
- The **Pulp and Paper Group** specializes in the design and global marketing of equipment and systems used in various stages of pulp and paper production, notably chemical pulping, pulp preparation and sheet formation and finishing. This group ranks among the foremost players in its industry and is a recognized leader in rebuilding, upgrading and optimization services for existing equipment, as well as the sale of spare parts. It also stands apart for the superior performance of several of its key products and technologies, notably in terms of energy savings.

GLV Inc. is a public company whose shares trade on the TSX Stock Exchange under the ticker symbols GLV.A and GLV.B.

Preliminary Comments to Interim Management's Report

This Interim Management's Report was prepared under the responsibility of GLV Inc.'s management and approved by its Board of Directors as of August 6, 2009. The information appearing herein accounts for any major event occurring prior to that date. It presents the Company's status and business context as they were, to management's best knowledge, at the time these lines were written.

This Management's Report should be read in conjunction with the consolidated financial statements and accompanying notes, as well as with the audited consolidated financial statements and accompanying notes for the fiscal year ended March 31, 2009. The interim consolidated financial statements for the three-month period ended June 30, 2009, and the interim consolidated financial statements for the equivalent three-month period ended June 30, 2008, have not been reviewed or audited by GLV Inc.'s external auditors.

In this Interim Management's Report, "GLV" or "the Company" designates, as the case may be, GLV Inc. and its subsidiaries and divisions, or GLV Inc. or one of its subsidiaries or divisions. The fiscal year ending March 31, 2010 and the fiscal years ended March 31 of prior years are sometimes designated by the terms "fiscal 2010", "fiscal 2009" and so forth. The "first quarter of fiscal 2010" and the "first quarter of fiscal 2009" refer to the three-month periods ended June 30, 2009 and 2008 respectively. Unless otherwise indicated, the comparative analysis of operating results and cash flows for the three-month period ended June 30, 2009 is performed in relation to the equivalent period ended June 30, 2008, whereas the comparative analysis of balance sheet items as at June 30, 2009 is performed in relation to March 31, 2009.

The information contained in this Interim Management's Report is mainly structured by group, specifically the Water Treatment Group and the Pulp and Paper Group. The financial information presented in this Interim Management's Report, including tabular amounts, is prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). However, it also includes some figures that are not performance measures consistent with GAAP. (Information regarding these non-GAAP financial measures is provided in Section VI, *"Other"* of this Interim Management's Report.

Unless otherwise indicated, the financial information presented in this Interim Management's Report, including tabular amounts, is expressed in Canadian dollars. The sign "$M" means "millions of dollars".

II. ANALYSIS OF CONSOLIDATED OPERATING RESULTS, CASH FLOWS AND BALANCE SHEET FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2009

Operating results for the first quarter of fiscal 2010 were in line with management's expectations. During this period, keeping pace with prior quarters, the Water Treatment Group improved its profitability compared with the previous year while pursuing its market development strategy, including the completion of a strategic acquisition. For its part, the Pulp and Paper Group saw its performance affected, as expected, by the sharp slowdown in the global pulp and paper industry, which prompted GLV to implement further restructuring measures in this group in order to adapt its cost structure to the challenging economic environment.

Consolidated highlights of the first quarter of fiscal 2010:

- Consolidated **revenues** of $113.3 M, posting a 22.1% decrease (26.9% at constant exchange rates) from the same quarter of the previous year, primarily attributable to the Pulp and Paper Group;
- **Gross margin** representing 24.0% of revenues versus 22.7% last year, this improvement being attributable to the Water Treatment Group's increased profitability resulting mainly from its stronger focus on value-added contracts, efficient execution of contracts and growth in its aftermarket business;
- **Non-recurring costs** of $0.4 M associated primarily with a restructuring of the Pulp and Paper Group's operations in the United Kingdom in response to difficult market conditions;
- 72.6% increase in the Water Treatment Group's **normalized EBITDA**, but 71.6% decrease in the Pulp and Paper Group's normalized EBITDA resulting in a 48.9% decline in consolidated normalized EBITDA, which amounted to $3.7 M;
- **Consolidated normalized EBITDA margin** of 3.3% (vs. 5.0% the previous year), of which a 7.2% margin (vs. 4.0%) for the Water Treatment Group and a 4.4% margin (vs. 9.5%) for the Pulp and Paper Group;
- Consolidated **normalized net earnings** of $1.1 M or $0.04 per share (basic and diluted), compared with $2.1 M or $0.08 per share (basic and diluted) the previous year;
- **Free cash flows** of $1.3 M or $0.05 per share;
- **Order backlog** of $244.5 M as at June 30, 2009, down 7.3% (at constant exchange rates) from March 31, 2009, primarily attributable to the Pulp and Paper Group;
- GLV benefits from a healthy **financial position**, its total net debt ratio being almost nil giving effect to the $36.2 M net proceeds from the share offering closed on July 2, 2009.

A detailed analysis of the *Water Treatment Group's* and the *Pulp and Paper Group's* results is presented in *Sections III and IV.*

Consolidated Results

(in thousands of $, except percentages, per share data and number of shares)	**Three months ended June 30,**		Change 2009 versus 2008
	2009	2008	%
Revenues	**113,335**	145,490	-22.1%
Gross margin	**27,170**	33,048	-17.8%
Selling and administrative expenses	**23,436**	25,737	-8.9%
EBITDA	**3,326**	7,311	-54.5%
Normalized items:			
Restructuring costs	**408**	-	-
Normalized EBITDA	**3,734**	7,311	-48.9%
Depreciation and amortization	**3,117**	3,071	1.5%
Normalized EBIT	**617**	4,240	-85.4%
Financial expenses	**(793)**	1,480	-
Income taxes	**204**	655	-68.9%
Effective tax rate	***20.4%***	*23.7%*	-3.3% pts
Net earnings (loss)	**798**	2,105	
per share (basic and diluted)	**0.03**	0.08	
Normalized net earnings	**1,124**	2,105	
per share (basic and diluted)	**0.04**	0.08	
Weighted average number of participating shares outstanding (in thousands):			
basic and diluted	**26,544**	26,403	0.5%
Margins as a percentage of revenues:			
Gross margin	***24.0%***	*22.7%*	
Normalized EBITDA	***3.3%***	*5.0%*	
Normalized EBIT	***0.5%***	*2.9%*	
Free cash flow	**1,336**	5,038	-73.5%
Favourable (unfavourable) impact of currency fluctuations:	**Three-month June 30, 2009**		
Revenues	**6,919**		
Gross margin	**1,612**		
EBITDA	**1,374**		
Normalized EBITDA	**1,260**		
Order backlogs:	**June 30, 2009**	March 31, 2009	June 30, 2008
Water Treatment	**179,501**	191,640	200,397
Pulp and Paper	**57,980**	74,157	142,949
Manufacturing Unit	**6,983**	6,882	10,772
Total	**244,464**	272,679	354,118

Analysis of Operating Results for the Three-Month Period Ended June 30, 2009

Impact of Currency Fluctuations

As GLV's operations are conducted in some 30 countries, fluctuations between the various currencies used may have an impact on its operating results and balance sheet items, primarily fluctuations in the U.S. dollar, the pound Sterling and the Swedish krona in relation to the Canadian dollar.

During the first quarter of fiscal 2010, currency fluctuations (more particularly the increase in the U.S. dollar in relation to the Canadian dollar by reference to the same period a year earlier) had a favourable impact on GLV's consolidated operations. Among others, various currency fluctuations had a net favourable impact of $6.9 M on revenues, $1.6 M on the gross margin and $1.3 M on normalized EBITDA. However, currency fluctuations between March 31 and June 30, 2009, more particularly the rise in the Canadian dollar in relation to the U.S. dollar, had a unfavourable impact of $8.4 M on the change in the order backlog between those dates.

Revenues

Quarterly consolidated **revenues** decreased by $32.2 M or 22.1% (26.9% organic decrease at constant exchange rates), including:

- a 43.0% decrease (at constant exchange rates) in the Pulp and Paper Group's revenues, due mainly to the sharp decline in new infrastructure investments by global pulp and paper producers; and
- an 8.8% decline (at constant exchange rates) in the Water Treatment Group's revenues, due mostly to delays encountered, as discussed further on, in the start-up of new municipal infrastructure projects in the United States (although the demand for existing infrastructure upgrading projects remained good).

The Water Treatment Group and the Pulp and Paper Group generated 57.8% and 42.2% respectively of consolidated revenues (excluding the Manufacturing unit's revenues and before inter-segment eliminations), compared with 46.8% and 53.2% respectively in the same quarter of fiscal 2009.

For information purposes, for the full 12-month period ended June 30, 2009, the geographic breakdown of consolidated revenues was as follows:

- 53.2% in North America (44.7% for the 12 months ended June 30, 2008);
- 27.6% in Europe and Russia (38.0% in 2008);
- 12.8% in Asia and the Asia-Pacific region (13.9% in 2008);
- 3.4% in Latin America (2.8% in 2008); and
- 3.0% in the Middle East and Africa (0.6% in 2008).

During the first quarter of fiscal 2010, the contribution of the North American market as a percentage of GLV's total revenues increased significantly over the same quarter of the previous year, partly due to the increase in the U.S. dollar in relation to the Canadian dollar, but also to the Water Treatment Group's good performance in the United States with respect to municipal water treatment infrastructure upgrading projects and the energy sector.

Gross Margin

The quarterly gross margin in dollars decreased by $5.9 M or 17.8% (22.7% decrease at constant exchange rates) due to the lower revenues. Conversely, the gross margin as a percentage of revenues improved from 22.7% last year to 24.0% this year, due mainly to the sustained improvement in the profitability of the Water Treatment Group's U.S. operations over the past few quarters, subsequent to the changes brought to the Salt Lake City division's market strategy and operating management. In addition, the Water Treatment Group's gross margin also benefited from a significant growth in its aftermarket business.

Selling and Administrative Expenses

Total selling and administrative expenses decreased by $2.3 M or 8.9% as a result, primarily, of the cost-reduction measures implemented in fiscal 2009 to achieve annual savings of close to $8.5 M, of which $2.5 M in the Water Treatment Group and approximately $6.0 M in the Pulp and Paper Group. The additional measures implemented in this group during the first quarter of fiscal 2010 will yield further recurring savings of some $1.5 M. annually.

Non-Recurring Items

GLV recorded non-recurring items of $0.4 M, substantially all of which consisting of costs incurred to restructure part of the Pulp and Paper Group's business, as previously mentioned.

Normalized EBITDA

Excluding non-recurring items, first-quarter normalized EBITDA amounted to $3.7 M, compared with $7.3 M the previous year, representing a decrease of 48.9% (66.2% decrease at constant exchange rates). The normalized EBITDA margin as a percentage of revenues stood at 3.3% versus 5.0% the previous year. The decline in profitability is attributable to difficult conditions affecting the Pulp and Paper Group, as the Water Treatment Group conversely posted a significant increase in its EBITDA and EBITDA margin over the same quarter of the previous fiscal year. The Manufacturing unit, a large proportion of whose revenues are derived from the pulp and paper industry, also sustained a decrease in profitability during the first quarter.

Financial Expenses

GLV posted a net financial income of $0.8 M, compared with a net financial expense of $1.5 M the previous year. This $2.3 M favourable variation consists of the following main items:

- interest on long-term debt, net of interest income, of $0.4 M versus $0.5 M in 2008, for a $0.1 M favourable variation;
- a net unfavourable amount of $0.2 M, compared with a net unfavourable amount of $0.3 M the previous year related to realized and unrealized exchange gains and losses (including on foreign exchange contracts), representing a $0.1 M favourable variation;
- a net favourable amount of $1.8 M attributable to the change in fair value of derivative financial instruments, compared with a net unfavourable amount of $0.4 M the previous year. In November 2008, the Company contracted an interest rate swap to reduce its risks related to interest rate fluctuations. The agreement provides for a variable rate equal to CDOR and a fixed rate representing 2.36% of the nominal amount over the term of the contract, considering an initial nominal amount of $50.0 M diminishing over three years. A total favourable variation of $0.4 M related to the fair value (attributable to a favourable variation in the future rates curve) of this derivative financial instrument was recognized against financial expenses during the quarter, with no equivalent amount for the comparative period. In November 2008, as part of setting up a new stock appreciation rights ("SARs") plan in April 2009, the Company set up a total rate-of-return swap with a financial institution aimed at reducing the future risk related to fluctuations in its share price on the eventual SAR-related expense. A total favourable variation of $0.3 M related to the fair value (attributable to the increase in the share price during the period) of this derivative financial instrument was recognized against financial expenses during the quarter, with no equivalent amount for the comparative period. Finally, a total favourable variation of $1.1 M related to the change in fair value of foreign exchange contracts during the quarter was recognized as financial expenses, compared with a $0.4 M unfavourable variation the previous year.

Income Taxes

The effective tax rate stood at 20.4% for the quarter ended June 30, 2009, compared with 23.7% a year earlier. The difference between this year's effective rate and the 31.0% Canadian regulatory tax rate can be explained by the benefits associated with revenues earned in jurisdictions with lower effective tax rates.

Net Earnings and Earnings Per Share

GLV closed the quarter with normalized net earnings of $1.1 M or $0.04 per share (basic and diluted) compared with normalized net earnings of $2.1 M or $0.08 per share (basic and diluted) the previous year.

The slight increase in the weighted average number of shares outstanding (basic and diluted) is primarily attributable to the full impact of the issue of 1,153,846 Class A subordinate voting shares effective April 11, 2008.

Selected Financial Information for the Past Eight Quarters

(in thousands of $, except per share amounts)	**Fiscal Year 2010**	Fiscal Year 2009				Fiscal Year 2008		
	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter
Revenues	**113,335**	149,854	153,960	149,559	145,490	147,548	137,690	125,887
EBITDA	**3,326**	12,677	2,293	7,491	7,311	200	6,302	(96)
Normalized EBITDA	**3,734**	13,264	7,997	7,491	7,311	1,265	7,300	4,804
EBIT	**209**	9,702	(599)	4,567	4,240	(2,437)	3,502	(2,867)
Normalized EBIT	**617**	10,289	5,105	4,567	4,240	(1,372)	4,500	2,033
Net earnings (loss)	**798**	5,587	464	2,924	2,105	(1,902)	1,025	(2,155)
per share (basic and diluted)	**0.03**	0.21	0.02	0.11	0.08	(0.07)	0.04	(0.09)
Normalized net earnings (loss)	**1,124**	6,231	4,744	2,924	2,105	(1,021)	1,742	422
per share (basic and diluted)	**0.04**	0.23	0.18	0.11	0.08	(0.04)	0.07	0.02

Events Subsequent to June 30, 2009

Effective July 2, 2009 GLV closed the public offering of 5,290,000 Class A subordinate voting shares (including the over-allotment option exercised by the underwriters) at $7.25 per share, for total gross proceeds of $38.4 M (net proceeds of $36.2 M). The Company intends to use the net proceeds from the offering to further its objective of acquiring complementary services, technologies or businesses and for ongoing operating expenses and general working capital requirements.

In addition, on July 30, 2009, GLV announced that it has agreed with its lenders to raise its credit facilities by $50 M. The credit facility entered into in August 2007 consisted of two non-reducing revolving credits totalling $175 M, of which $125 M in the form of a revolving credit facility available to finance business acquisitions, meet day-day financing requirements and issue letters of credit, and $50 M available to issue letters of credit guaranteed by Export and Development Canada (“EDC”). The latter amount was increased by $50 M to $100 M, raising to $225 M the total credit facilities made available as part of the August 2007 financing. The other terms and conditions of the financing agreement remain substantially the same, including, in particular, no principal repayment on the long-term debt being required before it matures in August 2012. The purpose of this amendment is to support the development of GLV’s global operations and the growth of its business volume within its target markets worldwide, especially in the water treatment sector.

Order Backlog as at June 30, 2009 and Overall Outlook [1]

As at June 30, 2009, GLV's order backlog stood at $244.5 M. At constant exchange rates, it reflected decreases of:

- 7.3% from March 31, 2009; and
- 33.7% from June 30, 2008.

These changes are primarily attributable to the significant slowdown in the global pulp and paper industry. For its part, the Water Treatment Group's order backlog was down only slightly due to delays in the start-up of certain projects.

In light of the order backlogs as at June 30, 2009 and the current volume of new order bookings, GLV's management maintains the forecasts stated in June 2009, upon disclosure of its fiscal 2009 financial results, to the effect that the first half of fiscal 2010 will be difficult for the Pulp and Paper Group, whose results should nevertheless improve as of the second half of the year once overall conditions in the global pulp and paper market start to gradually turn around. This forecast is based on certain encouraging signs currently observed in this industry, including a strengthening of pulp prices. Furthermore, GLV's management is confident as to the Water Treatment Group's performance for fiscal 2010, considering the favourable outlook for this industry worldwide and the progress achieved by this group in recent quarters to optimize its business model and develop its presence in its principal target markets, especially the municipal market in the United States and Eastern Europe, the global market of water intake screening solutions for power stations and desalination plants, and the food and beverage processing industry in the Asia-Pacific region, Europe and North America.

(A description of the Water Treatment Group's and the Pulp and Paper Group's order backlogs and outlook is presented in Sections III and IV of this Management's Report.)

For fiscal 2010 as a whole, GLV expects to achieve **consolidated revenues of $500 M to $550 M.** However, should the Canadian dollar continue to appreciate against the U.S. dollar as has been the case since the spring of 2009, revenues could tend towards the low side of this range. The measures the two groups have taken in recent quarters to optimize their operations and adjust their cost structure to their market situation should yield **recurring savings of close to $10 M** annually, of which approximately $2.5 M in the Water Treatment Group and more than $7.5 M in the Pulp and Paper Group.

GLV's management intends to continue closely monitoring global economic conditions, and will promptly react by implementing additional cost-reduction measures, if deemed appropriate based on its reading of market trends. It should be pointed out in this regard that GLV's manufacturing outsourcing strategy provides it with the flexibility to rapidly adjust its cost structure to the market reality. Furthermore, GLV has tightened its liquidity and risk management, particularly in regard to its project-related credit risks. Section V of this Management's Report discusses this matter in further detail.

Finally, as described and discussed further on in this Management's Report, GLV benefits from a healthy financial position, especially since its current loans are being used almost exclusively to finance its working capital. The July 2, 2009 share offering and recent amendment to its principal financing agreement have further strengthened GLV's balance sheet and position it favourably not only to continue weathering the global recession and to finance its ongoing working capital requirements, but also to take advantage of acquisition opportunities in its key markets that the current economic context could create. The Company is actively seeking acquisition opportunities in the water treatment sector.

[1] The following text contains forward-looking statements, which are discussed in Section I, "*Notice Regarding Forward-Looking Statements*".

Analysis of Cash Flows, Liquidity and Balance Sheet

Free Cash Flow

(in thousands of $, except per share data)	Three months ended June 30,	
	2009	2008
Cash flows from (used in) operating activities	**(85)**	(8,286)
Less:		
Net change in non-cash balances related to operations	**(2,153)**	(14,546)
Acquisition of property, plant and equipment, net of disposals	**732**	1,222
Free cash flow	**1,336**	5,038
per share (basic and diluted)	**0.05**	0.19

During the first quarter of fiscal 2010, GLV generated free cash flows of $1.3 M or $0.05 per share, compared with $5.0 M or $0.19 per share in the same quarter of 2008. The decline in free cash flows from the previous year is primarily attributable to a $4.2 M reduction in cash flows from operating activities (before net change in non-cash balances related to operations), which amounted to $2.1 M versus $6.3 M the previous year. This can mostly be explained by a $4.0 M negative change in earnings before income taxes excluding the favourable variation in fair value of derivative financial instruments during the first quarter of fiscal 2010, compared with earnings before income taxes excluding the unfavourable variation in fair value of derivative financial instruments during the first quarter of fiscal 2009.

Operating working capital used cash flows of $2.2 M due mainly to a reduction in accounts payable and accrued liabilities between March 31 and June 30, 2009. However, this factor was offset by a decrease in the value of contracts in progress (less progress billings) and inventories, attributable to the decline in the Pulp and Paper Group's business volume.

Variance in Cash and Cash Equivalents

(in thousands of $)	Three months ended June 30,	
	2009	2008
Balance as at beginning of period	**7,590**	18,724
Free cash flow	**1,336**	5,038
Net changes in non-cash balances related to operations	**(2,153)**	(14,546)
Net utilization of the revolving credits	**2,000**	(11,468)
Repayments of long-term debt	**-**	(1,621)
Issuance of share capital	**-**	15,000
Cost issuance of share capital	**-**	(52)
Net transactions with other group of Groupe Laperriere & Verreault Inc.	**-**	-
Change in restricted cash	**(9)**	(364)
Effect of exchange rate changes on cash and cash equivalents	**428**	(619)
Other	**(1,128)**	(1,722)
Balance as at end of period	**8,064**	8,370

Cash and cash equivalents increased by $0.5 M during the first quarter to $8.1 M as at June 30, 2009, due in part to the $0.4 M favourable impact of currency fluctuations on cash and cash equivalents.

GLV used an additional $2.0 M of its credit facility to finance the period's investments, of a total net amount of $1.9 M, broken down as follows:

- $0.7 M to purchase property, plant and equipment (versus $1.2 M the previous year), reflecting the guideline applied Company-wide to minimize its capital expenditures in the current economic context;
- $0.5 M in cash to acquire the principal assets of a Quebec-based business holding a state-of-the art residual sludge dewatering technology; and
- $0.6 M to increase intangible assets, due mainly to amounts expended towards development activities and software expenditures.

Financial Position

Balance Sheet Highlights

(in thousands of $, except ratio)	**June 30, 2009**	March 31, 2009	**Major explanations of variances**
Assets			
Cash and cash equivalents	**8,064**	7,590	
Accounts receivable	**125,829**	125,553	
Income taxes receivable	**653**	1,815	
Inventories	**38,405**	39,709	
Contracts in progress, less progress billings	**58,410**	79,688	Significant increase in progress billings
Prepaid expenses	**5,619**	4,739	
Future income taxes	**9,682**	10,085	
Financial Instruments	**1,066**	602	Favourable mark-to-market of the SARs total return swap and foreign exchange forward contracts
Property, plant and equipment	**36,287**	36,918	
Future income taxes	**196**	832	
Goodwill	**33,471**	33,550	
Intangible assets	**46,744**	44,549	Changes in exchange rates (period-end translation)
Restricted cash	**3,978**	3,969	
Other assets	**2,782**	2,926	
Liabilities			
Accounts payable and accrued liabilities	**107,887**	128,892	Decrease in business volume - principally Pulp & Paper Group
Financial Instruments	**1,316**	2,679	Favourable mark-to-market of foreign exchange forward contracts and the interest rate swap
Advances from companies of GL&V	**1,097**	1,174	
Long-term debt	**52,000**	50,000	
Other liabilities	**10,354**	10,527	
Future income taxes	**3,146**	4,212	
Shareholders' equity			
Share capital	**178,532**	178,532	
Current assets	**247,728**	269,781	
Current liabilities	**(109,203)**	(131,817)	
Working capital	**138,525**	137,964	
Current ratio	***2.27 :1***	*2.05 :1*	

Additional Comments Regarding Financial Position

Considering GLV's manufacturing outsourcing strategy, capital assets account for less than 10% of its total assets. In addition to strictly controlling its capital expenditures, especially in the current economic context, GLV is concentrating its business acquisitions on the integration of technologies, intellectual property rights, know-how and customer relations. As a result, intangible assets, goodwill and other assets represented an aggregate 22.4% of GLV's total assets as at June 30, 2009.

Indebtedness

(in thousands of $, except ratio)	**June 30, 2009**	March 31, 2009
Total net debt:		
Long-term debt and advances from companies of GL&V	**53,097**	51,174
Less:		
Cash and cash equivalents	**(8,064)**	(7,590)
Total net debt	**45,033**	43,584
Total invested capital:		
Shareholders' equity	**195,386**	195,041
Total net debt	**45,033**	43,584
Total	**240,419**	238,625
Total net debt on invested capital ratio	***18.7%***	*18.3%*

As at June 30, 2009, the total net debt to invested capital ratio stood at 18.7% versus 18.3% as at March 31, 2009. For information purposes, giving retroactive effect to the share offering closed on July 2, 2009, pro forma total net debt as at June 30, 2009 amounted to $8.8 M, representing an immaterial total net debt ratio. It should also be noted that given the Company's relatively low amount of capital assets, its debt is primarily used to finance its working capital requirements. This provides the Company with significant flexibility as, in the event of a decline in GLV's business activity, its working capital requirements would diminish accordingly and consequently, the Company would reduce its use of credit facilities and total debt.

Unused Financing Sources

(in thousands of $)	**June 30, 2009**	March 31, 2009
Credit facilities:		
Authorized	**200,000**	200,000
Borrowed	**(52,000)**	(50,000)
Letters of credit issued	**(41,246)**	(43,327)
Unused credit	**106,754**	106,673
Cash and cash equivalents	**8,064**	7,590
Total unused financing sources	**114,818**	114,263

As at June 30, 2009, total unused sources of financing amounted to $114.8 M. For information purposes, at that date, they amounted to approximately $201.0 M, considering the July 2, 2009 share offering (net proceeds of $36.2 M) and the increase in the credit facility ($50 M) announced on July 30, 2009.

Combined with its low total net debt ratio, its ability to generate significant operating cash flows and its available cash, the Company's unused sources of financing give it the means to take advantage of development opportunities that might arise.

Share Capital Information

Authorized, issued and outstanding share data

(in thousands of $, except number of shares)	**Authorized**	**Number of shares issued and outstanding as at August 6, 2009**	**Number of shares issued and outstanding as at June 30, 2009**
Class A subordinate voting shares	Unlimited	29,629,521	24,339,521
Class B multiple voting shares	Unlimited	2,204,205	2,204,205
Preferred shares	Unlimited	-	-
		31,833,726	26,543,726

Normal Course Issuer Bid

On December 4, 2008, GLV implemented a normal course issuer bid under which it may acquire, up to December 7, 2009, a maximum of 2,268,547 Class A shares and 121,595 Class B multiple voting shares actions ("Class B shares"), representing approximately 10% of the public float of the Class A shares and 5% of the Class B shares issued and outstanding as of March 31, 2009. No shares have been acquired thus far under this normal course issuer bid.

Stock Option Plan and Other Stock-Based Compensation

Stock Option Plan

	As at June 30, 2009	
	Options available for issuance	**Options issued and outstanding**
Class A subordinate voting shares	2,538,888	1,610,000

During the first quarter of fiscal 2010, 320,000 new stock options were granted to employees. (For further information, please refer to note 14 accompanying the interim consolidated financial statements appended to this Management's Report.)

Other Stock-Based Compensation

In April 2009, GLV set up a new long-term incentive program qualifying grants of stock appreciation rights ("SARs"). A total of 480,000 SARs were granted during the first quarter of fiscal 2010 pursuant to this program, offered exclusively to key employees responsible for operations within the two groups. Management judges that this plan is an effective tool to help retain its staff and maintain the expertise and know-how needed to succeed in its target markets. (For further information, the reader is referred to note 14 accompanying the interim consolidated financial statements appended to this Management's Report.

III. ANALYSIS OF SEGMENTED OPERATING RESULTS: WATER TREATMENT GROUP

Results of Operations

(in thousands of $, except percentages)	Three months ended June 30, 2009	2008	Change 2009 versus 2008 %
Revenues:			
New equipment	**53,460**	61,968	(13.7%)
Aftermarket	**10,337**	4,585	125.5%
Total	**63,797**	66,553	(4.1%)
EBITDA	**4,584**	2,665	72.0%
Normalized items:			
Restructuring costs	**16**	-	-
Normalized EBITDA	**4,600**	2,665	72.6%
Depreciation and amortization	**963**	1,571	(38.7%)
Normalized EBIT	**3,637**	1,094	232.4%
Margins as a percentage of revenues:			
Normalized EBITDA	**7.2%**	4.0%	
Normalized EBIT	**5.7%**	1.6%	

Other selected financial information

Favourable (unfavourable) impact of currency fluctuations:	**Three-month June 30,2009**
Revenues	**3,120**
Gross margin	**784**
EBITDA	**681**
Normalized EBITDA	**680**

Order backlogs:	**June 30, 2009**	March 31, 2009	June 30, 2008
	179,501	191,640	200,397

Results and Achievements of the First Quarter of Fiscal 2010

Impact of Currency Fluctuations

For the three-month period ended June 30, 2009 in comparison with the same period of 2008, currency fluctuations (more particularly the increase in the U.S. dollar) had a favourable impact on this group's revenues, gross margin and EBITDA. However, the rise in the Canadian dollar between March 31 and June 30, 2009 had an unfavourable impact on the trend in its order backlog between those dates.

Revenues

Excluding the $3.1 M favourable impact of currency fluctuations on this group's quarterly revenues, they decreased by $5.9 M or 8.8%. This decline is entirely attributable to new infrastructure projects, as the group's revenues in aftermarket-related projects more than doubled to account for 16.2% of total revenues (versus 6.9% the previous year).

Management estimates that the decline in the Water Treatment Group's revenues is not attributable to either a weakening of demand in the global market for water treatment solutions, or to a decrease in the group's market share, but to the following main factors:

- the effects of the slowdown recorded during the third quarter of fiscal 2009 in new order bookings within the global market for water intake screening solutions for power stations due to the lesser availability of financing sources for large projects. However, the group achieved a good performance in this sector in the United States during the first quarter, while also increasing its aftermarket revenues worldwide. Moreover, the pace of new order bookings has picked up since the fourth quarter of the last fiscal year; and
- delays in the start up of new infrastructure projects in the U.S. municipal market, where the implementation of the federal administration's economic stimulus plan causes some municipalities to defer their investments. Conversely, the market for municipal infrastructure upgrading and improvement projects is currently experiencing a good level of activity, due in part to the earmarked stimulus funds. Given its recognized technologies, special expertise in this field and large installed equipment base, Eimco Water Technologies is positioned to take advantage of such activity

Business Development by Market

Municipal Segment

For information purposes, during the 12-month period ended June 30, 2009, this market segment accounted for 67% of the Water Treatment Group's revenues, versus 69% in the equivalent 12-month period ended June 30, 2008. In the first quarter of fiscal 2010, in particular, the group's performance in this segment was driven by the increase in the U.S. dollar in relation to the Canadian dollar and by sustained demand for existing municipal infrastructure upgrading projects in the United States, where the group markets complete municipal facility optimization solutions. In Europe, although demand remains weak in England, the team dedicated to the marketing of integrated municipal solutions, which was created during the last fiscal year, has landed certain large-scale contracts in Ireland and in Eastern Europe in recent months. In addition, Eimco Water Technologies is currently witnessing a significant increase in calls for tender in Eastern Europe.

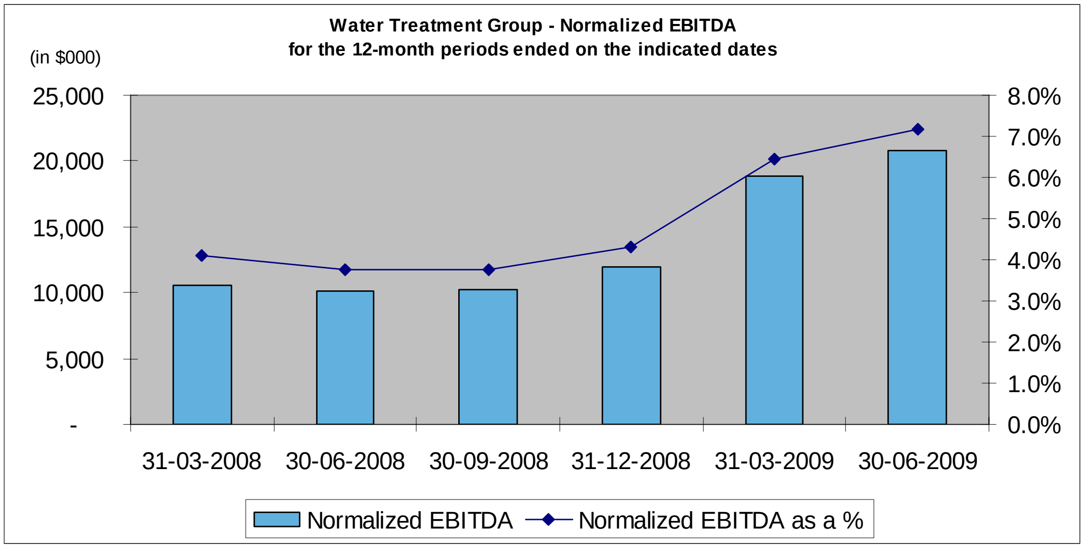
It should also be noted that the new technologies recently acquired or developed internally by the Water Treatment Group are being well received in the municipal market. That is notably the case for the LM™ Mixer advanced digester sludge mixing technology to which the group obtained a marketing and distribution licence in January 2009. To date, the group has sold a number of units in the North American municipal market and was also awarded a first large-scale contract in Eastern Europe. Regarding the state-of-the art municipal and industrial wastewater sludge dewatering technology using electro-osmosis acquired in April 2009, GLV is currently executing a first major contract in the Canadian municipal segment that will serve as a North American showcase for this technology. (This acquisition is described further in this section.)

Industrial Segment

During the 12-month period ended June 30, 2009, this market segment accounted for 33% of the Water Treatment Group's revenues, versus 31% in the equivalent 12-month period ended June 30, 2008. During the first quarter of fiscal 2010, despite a slowdown in revenues, which management deems temporary, associated with water intake screening projects in the energy sector, the group increased its business in the food and beverage processing industry, primarily by obtaining new large-scale contracts in the Asia-Pacific region. It also achieved an initial breakthrough in Europe subsequent to the recent expansion of is sales force and geographic distribution network for the technologies designed for this market niche.

Operating Profitability

Excluding immaterial restructuring costs in the first quarter of 2009, the Water Treatment Group's normalized EBITDA increased by $1.9 M or 72.6% (47.1% increase at constant exchange rates) to $4.6 M. The normalized EBITDA margin thus improved from 4.0% in the first quarter of fiscal 2009 to 7.2% in the same period this year. This improvement is primarily attributable to an increase in the gross margin resulting from the growth in its aftermarket business and the major restructuring carried out by the Salt Lake City (Utah) division at the end of fiscal 2008, in order to refocus its business on higher value-added contracts, optimize its project management and lower its costs. Consistent with management's expectations, the benefits of this restructuring started to materialize in the second half of fiscal 2009. Furthermore, the recurring savings generated by the cost-optimization measures implemented in 2009 compensated for the additional selling and administrative expenses related to the business acquired at the beginning of fiscal 2010 and the new joint venture GW&E set up in January 2009.



For information purposes, this graph presents the Water Treatment Group's normalized EBITDA and normalized EBITDA margin for the full 12-month periods ended on the indicated dates. The Water Treatment Group's normalized EBITDA margin for the 12-month period ended June 30, 2009 stood at 7.2%, versus 3.7% for the equivalent 12-month period ended June 30, 2008, and 6.5% for the fiscal year ended March 31, 2009. This primarily reflects the improvement in the U.S. operations' performance since the middle of the last fiscal year. Furthermore, the operational units started up during fiscal 2008 in Singapore and Finland are gradually being optimized, whereas the performance of the Canadian division, where the Company recently implemented a restructuring program similar to the one that yielded positive results in Salt Lake City, is beginning to improve.

Strategic Acquisition

On April 14, 2009, GLV closed the acquisition of certain assets of Elcotech Technologies Inc. ("Elcotech"), a young company based in Quebec, Canada. The acquisition primarily covered the intellectual property rights and patents related to the equipment line using the state-of-the-art municipal and industrial wastewater sludge dewatering technology developed by Elcotech. The advantage of Elcotech's technology is that it uses electro-osmosis to separate water molecules from biosolids, thereby substantially reducing the residual material volume, with lower energy consumption. In addition, the technology can eliminate pathogens and odours, resulting in a higher-quality biomass that can further be used for agricultural land spreading or as biofuel for the production of green energy. With its exceptional features, Elcotech's technology is ideally suited to sectors with particularly challenging sludge processing needs, including the food and beverage industry, the pulp and paper industry, the textile industry and the municipal sector. In addition, this easy-to-use, easy-to-maintain and energy-efficient equipment perfectly fits into the Water Treatment Group's existing technological portfolio and can be marketed in substantially all of its business segments.

Order Backlog as at June 30, 2009 and Outlook [1]

As at June 30, 2009, the Water Treatment Group's order backlog stood at $179.5 M. At constant exchange rates, it reflected:

- a slight decline of 3.3% from March 31, 2009; et
- a 15.5% decrease from June 30, 2008.

These changes are primarily attributable to the aforementioned delays encountered in the start-up of new municipal infrastructure projects in the U.S. market.

Consistent with its market development strategy, management expects that, the group will continue to increase its presence and revenues in 2010, mostly in the following markets:

- the municipal market in North America, driven primarily by the economic stimulus program of the U.S. government;
- the municipal market in Europe, especially in Eastern Europe;
- the global water intake screening market, particularly nuclear power station and refinery upgrading projects in North America, as well as the construction or upgrading of power stations and desalination plants. GLV is on the lookout for opportunities to integrate other technologies in order to complete its Water Treatment Group's offering to this customer base, especially in the area of process water treatment; and
- the food and beverage processing industry in Australia, New Zealand, Southeast Asia, Europe and North America.

The group also plans to develop its business in the petrochemicals and pulp and paper industries, where management expects investments to gradually pick up in light of the strengthening of oil and pulp prices.

In terms of profitability, GLV's management estimates that the favourable trend in the Water Treatment Group's normalized EBITDA margin since mid-2009 should continue due, among other factors, to the recurring savings of approximately $2.5 M achieved in 2009 and to its ongoing optimization efforts.

The Water Treatment Group's primary objectives for fiscal 2010 are to:

- continue leveraging the new technologies integrated in 2009 by capitalizing on its international engineering and sales network;
- integrate new technologies, notably for process water treatment, by way of acquisitions, alliances and internal development, while enhancing existing technologies;
- develop the new joint venture GW&E;
- further improve profitability, including in Canada, Finland and England, in part by expanding and strengthening its outsourcing business; and
- maintain strict control over costs and credit risks in light of the current economic context.

[1] The following text contains forward-looking statements, which are discussed in Section I, "*Notice Regarding Forward-Looking Statements*".

IV. ANALYSIS OF SEGMENTED OPERATING RESULTS: PULP AND PAPER GROUP

Results of Operations

(in thousands of $, except percentages)	Three months ended June 30, 2009	2008	Change 2009 versus 2008 %
Revenues:			
New equipment	**18,897**	41,428	(54.4%)
Aftermarket	**27,764**	34,153	(18.7%)
Total	**46,661**	75,581	(38.3%)
EBITDA	**1,653**	7,209	(77.1%)
Normalized items:			
Restructuring costs	**392**	-	-
Normalized EBITDA	**2,045**	7,209	(71.6%)
Depreciation and amortization	**829**	755	9.8%
Normalized EBIT	**1,216**	6,454	(81.2%)
Margins as a percentage of revenues:			
Normalized EBITDA	**4.4%**	9.5%	
Normalized EBIT	**2.6%**	8.5%	

Other selected financial information

Favourable (unfavourable) impact of currency fluctuations:	**Three-month June 30,2009**		
Revenues	**3,607**		
Gross margin	**636**		
EBITDA	**554**		
Normalized EBITDA	**441**		
Order backlogs:	**June 30, 2009**	March 31, 2009	June 30, 2008
	57,980	74,157	142,949

Results of the Three-Month Period Ended June 30, 2009

Impact of Currency Fluctuations

For the three-month period ended June 30, 2009 in comparison with the same period of 2008, currency fluctuations (more particularly the increase in the U.S. dollar in relation to the Canadian dollar) had a favourable impact on this group’s revenues, gross margin and EBITDA, although this effect was partly mitigated by the unfavourable impact of the decrease in the Swedish krona in relation to the Canadian dollar. The rise in the Canadian dollar between March 31 and June 30, 2009 had an unfavourable impact on the trend in its order backlog between those dates.

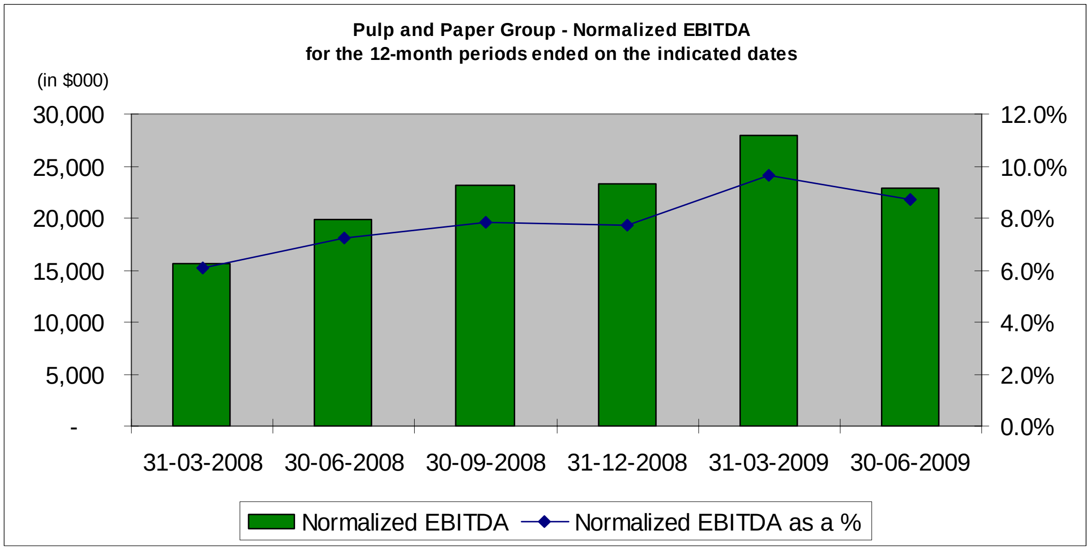
Revenues

During the first quarter of fiscal 2010, the Pulp and Paper Group’s revenues decreased by $28.9 M or 38.3% (43.0% decrease at constant exchange rates). This decline, which mainly affected the sale of new equipment, but also the sale of spare parts, reflects the significant and rapid degradation of market conditions in the global pulp and paper industry since the winter of 2008-2009.

Operating Profitability

In light of this difficult context, additional streamlining measures were implemented in the Pulp and Paper Group’s organization in the United Kingdom, including the closure of an operating centre in England. These measures resulted in the recognition of non-recurring restructuring costs of $0.4 M in first-quarter results, but will yield recurring savings of more than $1.5 M annually.

Excluding restructuring costs, the Pulp and Paper Group's normalized EBITDA decreased by $5.2 M or 71.6% (77.8% at constant exchange rates) to $2.0 M. Its normalized EBITDA margin thus slipped from 9.5% last year to 4.4% this year. This decline is attributable to the lower level of revenues resulting from the economic context. Nevertheless, management estimates that the cost-reduction measures implemented in 2009 enabled this group to maintain its operations profitability.



For information purposes, this graph presents the Pulp and Paper's normalized EBITDA and normalized EBITDA margin for the full 12-month periods ended on the indicated dates. For the 12-month period ended June 30, 2009, this group's normalized EBITDA margin stood at 8.7%, versus 7.2% for the equivalent 12-month period ended June 30, 2008, and 9.6% for the fiscal year ended March 31, 2009. This trend shows that this group can achieve an EBITDA margin of 10% and over with revenues of approximately $300 M, considering its product selection (including spare parts), cost structure and lean organization, notably in the area of project management.

Order Backlog as at June 30, 2009 and Outlook [(1)]

As at June 30, 2009, the Pulp and Paper Group's order backlog stood at $58.0 M. At constant exchange rates, it reflected:

- a 18.2% decrease from March 31, 2009; and
- a 59.1% decrease from June 30, 2008.

Consistent with the comments issued in June 2009, GLV's management continues to believe that the first half of fiscal 2010 will be difficult for the Pulp and Paper Group due to global economic conditions. However, management has been witnessing some positive signs in the global pulp and paper market in recent months, including a strengthening of pulp prices and an increase in the number of inquiries and calls for tender by the group's international customer base. Management is therefore confident that order bookings will pick up in the second half of fiscal 2010, which should enable the Pulp and Paper Group to return to a profitability level in line with its objectives by fiscal 2011. In this regard, it should also be noted that the cost-reduction measures implemented in 2009 and the beginning of fiscal 2010 should yield recurring savings of more than $7.5 M annually. GLV's ongoing development of an assembly centre in India should also contribute to further improve its operating profitability.

With respect to the Chinese market, management confirms its estimate that the postponement of certain equipment orders in fiscal 2009 will have a temporary impact of approximately $4 M to $6 M on the group's working capital between now and the end of fiscal 2010, as it will defer the delivery of equipment and collection of accounts receivable to the third and fourth quarters. However, given the status of negotiations with customers, the collection of advances on contracts and the fact that most of the equipment is still under GLV's control, management is confident that these deferrals will not have a material impact on the group's profitability.

The Pulp and Paper Group's primary objectives for fiscal 2010 are to:

- maintain rigorous yet proactive control over its credit risks, accounts receivable collection and operating costs; thus, if management deems it necessary in light of its reading of trends in the pulp and paper industry, further cost-reduction measures could be contemplated;
- focus its efforts on the aftermarket in order to maximize its share of this niche worldwide and increase the added value and profitability thereof; and
- further optimize its business model, especially in the area of project management, global outsourcing operations and aftermarket services.

[1] The following text contains forward-looking statements, which are discussed in Section I, "*Notice Regarding Forward-Looking Statements*".

V. RISK MANAGEMENT

General

GLV's management makes every effort to ensure that the Company and its subsidiaries benefit from effective risk management. For instance, the Company has formed an Enterprise Risk Management Committee comprised of certain officers responsible for finance, operations, legal affairs, human resources and information technologies, thereby covering all the Company's business activities. This Committee is in charge of identifying and assessing the potential risks that could have a material impact on the Company's operations and financial position, as well as the risk management strategies implemented within the Company. It is also responsible for implementing measures necessary for monitoring risk management, among others, by developing and recommending to the Board of Directors or its Audit Committee the various policies and procedures serving to support GLV's subsidiaries in developing and implementing effective strategies in regard to internal and external control, aimed at improving and reducing the impact of business and operating risk factors.

The general risks to which the Company is exposed are described in Section V, "*Risk Management – General Risks and Uncertainties*" of the Management's Report for the fiscal year ended March 31, 2009. Management has not observed any major changes in these general risks since the end of the last fiscal year. Furthermore, since the outset of the global economic slowdown in September 2008 and, in certain regards, even prior to that, GLV's management has strengthened its risk management according to even stricter criteria. The following text describes the initiatives taken to manage risks and liquidity in the current global economic context.

Risk and Liquidity Management in the Current Economic Context

Credit Risk

In both its groups, in addition to evaluating accounts receivable on a constant basis as it has always done, GLV has, in recent quarters, implemented greater discipline in negotiating the terms and conditions and monitoring the collection of accounts receivable. For instance, letters of credit are required from customers and a credit insurance policy is contracted on a case-by-case basis to cover the risks related to doubtful accounts, according to the customer-related risks. In the Pulp and Paper Group, considering the current context, GLV's management has reduced the credit limits granted to certain customers. By tightening its risk management in both groups since the outset of the economic slowdown, GLV aims to ensure the solidity of its order backlog and health of its balance sheet. However, a further weakening of the economic conditions facing the Pulp and Paper Group and its customers could result in doubtful accounts expenses, as was the case in the third quarter of fiscal 2009.

Supplier-Related Risk

GLV's practice is to pay its suppliers based on the degree of advancement of the work and to avoid prepayments. Furthermore, arrangements with alternate suppliers are provided for in the event of a supplier's inability to honour an order. It should also be noted that GLV's Manufacturing unit provides it with additional security to ensure that customers' contracts are efficiently executed in the event of default by a supplier.

Cost Structure, Working Capital Requirements and Debt Service

In addition to providing GLV with the flexibility needed to rapidly adjust its cost structure to the market reality, its manufacturing outsourcing strategy provides the Company with the advantage of having few capital assets. Thus, its debt is primarily used to finance its working capital requirements. As a result, should GLV experience a decline in its business volume and, consequently, in its working capital requirements, it would make lesser use of its credit facilities.

VI. OTHER

Compliance with Canadian Generally Accepted Accounting Principles

The financial information presented in this Management's Report, including tabular amounts, is prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The information contained in the Management's Report also includes some figures that are not performance measures consistent with GAAP, specifically:

- **EBITDA**: earnings before depreciation and amortization, financial expenses and income taxes;
- **normalized EBITDA**: according to the reporting periods, EBITDA before items recorded outside the normal course of business, including restructuring costs;
- **EBIT**: earnings before financial expenses and income taxes;
- **normalized EBIT**: according to the reporting periods, EBIT before items recorded outside the normal course of business, including restructuring costs;
- **normalized net earnings**: according to the reporting periods, earnings before items recorded outside the normal course of business, including restructuring costs (less related taxes);
- **free cash flows**: cash flows from operating activities excluding net changes in non-cash balances related to operations, less property, plant and equipment acquisitions (net of disposals); and
- **free cash flows per share**: free cash flows divided by the weighted average number of participating shares outstanding during the reporting period.

Such measures enable management to assess the operational and financial performance of its operating groups. These measures also commonly used by the financial community to analyze and compare the performance of companies engaged in the same industries. However, they are not intended to be regarded as alternatives to other financial accounting performance measures or to the statement of cash flows as a measure of liquidity. They are not intended to represent funds available for debt service, dividends, reinvestment or other discretionary uses, and should not be considered in isolation or as a substitute for other performance measures prepared in accordance with Canadian GAAP. Management's definition of these measures may not similarly titled measures reported by other companies.

In order to assess what the growth in its revenues would have been from one year to the next without the impact of business acquisitions, the Company uses the organic growth measure. The organic growth of each of its operating groups is computed by eliminating from the current fiscal year the revenues from the acquisitions that were not present during the comparative period of the previous fiscal year. The revenues thereby eliminated correspond to the revenues recorded by the acquired companies based on the latest financial data available preceding their acquisition by GLV, prorated to correspond to the analyzed periods. This computation method highlights the impact that GLV itself had on the revenue growth of the acquired companies subsequent to their acquisition date.

As for GLV's order backlog, it consists of contracts which are subject to a firm order supported, as the case may be, by a signed contract, a purchase order or an advance receipt on a contract. Under certain circumstances, management may decide to defer the inclusion of a contract in the order backlog if, for instance, there are risks that the order could be cancelled or delayed, or that the collection of the selling price involves a risk. In that case, the order in question will normally be added to the order backlog only upon collection of part of the selling price in the form of advance receipts on a contract, or when management has a reasonable degree of comfort thereof. Management may also decide to record a general reserve accounting for its assessment of the various risks related to the orders included in the backlog.

Effectiveness of Disclosure Controls and Procedures and Internal Control over Financial Reporting

Management of GLV has designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared, and disclosed in public documents pursuant to the requirements of *Multilateral Instrument 52-109*.

As at June 30, 2009, GLV's Chief Executive Officer and Chief Financial Officer, with the participation of the Company's management, concluded that the design and operation of the Company's disclosure controls and procedures are effective. GLV's Chief Executive Officer and Chief Financial Officer also concluded that the Company has designed appropriate internal control over financial reporting for the nature and size of the Company's business, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

Since June 30, 2009, there have been no changes in internal control over financial reporting that have materially affected, or would likely materially affect, GLV's internal control over financial reporting.

Contractual Commitments, Critical Accounting Estimates and Financial Instruments

The Company has not noted any material changes in these items since the end of the last fiscal year. For further information, the reader is referred to the Management's Report for the fiscal year ended March 31, 2009.

Changes in Accounting Policies and Future Changes in Accounting Standards

Changes in Accounting Policies

The following Handbook Section released by the Canadian Institute of Chartered Accountants ("CICA") was adopted by the Company on April 1, 2009. The Company has retrospectively adopted this accounting policy without restatement of comparative of prior periods.

Intangible Assets

In February 2008, the CICA issued Section 3064, *Goodwill and Intangible Assets*, which replaces Section 3062, *Goodwill and Other Intangible Assets*, and results in the withdrawal of Section 3450, *Research and Development Costs,* and EIC-27, *Revenues and Expenditures during the Pre-operating Period* and amendments to Accounting Guideline No. 11, *Enterprises in the Development Stage*. This section is the Canadian equivalent to IAS 38, *Intangible Assets* under International Financial Reporting Standards ("IFRS"). The new standard provides guidance on the recognition, measurement and presentation of goodwill and intangible assets subsequent to their initial recognition.

For the Company, this section applies to interim and annual financial statements beginning on April 1, 2009. The adoption of Section 3064 had no impact on the Company's financial statements, except for the reclassification of certain balance sheet items. (For further information, please refer to note 3 accompanying the interim consolidated financial statements appended to this Management's Report.)

Future Changes in Accounting Standards

Business Combinations and Consolidated Financial Statements

In January 2009, the CICA issued three new accounting standards: Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-Controlling Interest*.

Section 1582 replaces former Section 1581 and establishes standards for the accounting of a business combination and is mostly aligned with International Financial Reporting Standards 3 ("IFRS 3"), *Business Combinations*. Section 1582 specifies (i) an expanded definition of a business; (ii) that most assets acquired and liabilities assumed will be measured at fair value; and, (iii) that acquisition costs will be recognized as expenses.

Sections 1601 and 1602 together replace former Section 1600, *Consolidated Financial Statements*. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602, which converges with the requirements of International Accounting Standard 27 (IAS 27), *Consolidated and Separate Financial Statements*, establishes standards for accounting of a non-controlling interest resulting from a business acquisition, recognized as a distinct component of shareholders' equity. Net income will present the allocation between the controlling and non-controlling interests.

For the Company, these three standards will become effective for business combinations for which the acquisition date is on or after April 1, 2011 and for interim and annual consolidated financial statements relating to the fiscal year starting April 1, 2011. As Section 1582 is applicable only to future business combinations, the Company does not expect these new standards to have a material impact on the Company's consolidated financial statements prior to such acquisitions.

Transition to International Financial Reporting Standards

In 2005, the Accounting Standards Board of Canada ("AcSB") announced that accounting standards in Canada are to converge with International Financial Reporting Standards ("IFRS"). In February 2008, the AcSB confirmed that publicly accountable enterprises will be required to apply, and report in accordance with IFRS, in full and without modification, effective in fiscal years beginning on or after January 1, 2011, which in the case of the Company, represents interim and fiscal year-end periods beginning on or after April 1, 2011 (the "Changeover" date). In the Company's reporting in those periods following the Changeover date, GLV will be required to present comparative data for equivalent periods in the previous fiscal year, making April 1, 2010 the "Transition" date for the Company.

IFRS use a conceptual framework similar to Canadian GAAP, but present significant differences on certain recognition, measurement and disclosure principles. In the period leading up to the changeover, the AcSB will continue to issue accounting standards that are better aligned with IFRS as illustrated by Section 3031 "Inventories" applicable for the Company as of April 1, 2008 and Section 3064 "Goodwill and intangible assets" applicable for the Company as of April 1, 2009 as they respectively relate to IAS 2 "Inventories" and IAS 38 "Intangible assets", thus mitigating the impact of conversion to IFRS. Further, the International Accounting Standard Board[1] ("IASB") will also continue to issue new, or amend existing accounting standards during the conversion period, and as a result, the final impact on the Company's consolidated financial statements of applying IFRS in full will only be entirely measurable once all applicable IFRS standards at the final Changeover date are known.

The Company has drawn up a plan to convert its consolidated financial statements to IFRS. The Company has also set up an IFRS dedicated team. The Company is monitoring the impact of the transition on its business practices, systems and internal controls over financial reporting. A detailed analysis of the differences between IFRS and the Company's accounting policies, as well as an assessment of the impact of the various alternatives, are in progress. Changes in accounting policies are likely and may materially impact the Company's consolidated financial statements.

For further information, the transition plan is described in detailed in the March 31, 2009 Management's Report. GLV will provide updates as further progress is achieved and conclusions are drawn by the Company.

Supplementary Information

Supplementary information about the Company, including the Annual Information Form dated June 12, 2009, the interim reports for the fiscal year ended March 31, 2009 and press releases, are available on SEDAR's website (www.sedar.com) and GLV's website (www.glv.com). Certain other documents, including presentations to investors, are also available on the Company's website.

(SIGNED)
Laurent Verreault
Chairman of the Board of Directors and Chief Executive Officer

(*SIGNED)*
Marc Barbeau, CA
Executive Vice-President and Chief Financial Officer

August 6, 2009